

DIRECT TESTIMONY AND EXHIBIT OF

ROBERT A. LAWYER

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2020-3-E

IN RE: ANNUAL REVIEW OF BASE RATES FOR FUEL COSTS OF

DUKE ENERGY CAROLINAS, LLC, DECREASING RESIDENTIAL AND

NON-RESIDENTIAL RATES

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Robert A. Lawyer. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as Deputy Director of Energy Efficiency and Renewables in the Utility Rates and Services Division of the Office of Regulatory Staff (“ORS”).

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received my Bachelor of Science in Financial Management from Clemson University in 1994. Prior to my employment at ORS, I held a variety of positions in finance, accounting, auditing and management. I joined ORS in 2007 as an Auditor and assumed my current position in November 2019.

Q. HAVE YOU TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?

A. Yes. I have previously testified before the Commission.

Q. WHAT IS THE MISSION OF ORS?

1 A. ORS represents the public interest as defined by the South Carolina General
2 Assembly as:

3 [T]he concerns of the using and consuming public with respect to public
4 utility services, regardless of the class of customer and preservation of
5 continued investment in and maintenance of utility facilities so as to provide
6 reliable and high-quality utility services.

7 **Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?**

8 A. Yes. The review to which I testify was performed by me or under my supervision.

9 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

10 A. The purpose of my direct testimony is to set forth ORS's recommendations
11 resulting from the examination of Duke Energy Carolinas, LLC's ("DEC" or "Company")
12 Distributed Energy Resource Program ("DERP") expenses for the period of June 2019
13 through May 2020 ("Actual Period"), June 2020 through September 2020 ("Estimated
14 Period"), and October 2020 through September 2021 ("Forecasted Period").

15 **Q. WHAT EXPENSES RELATED TO THE COMPANY'S DERP ARE INCLUDED IN
16 THIS PROCEEDING?**

17 A. Pursuant to S.C. Code Ann. § 58-39-130(A)(2) (2015), an electrical utility with an
18 approved DERP may recover associated costs that are reasonably and prudently incurred,
19 and pursuant to S.C. Code Ann. § 58-39-140(F) (2015), cost recovery shall remain in force
20 until all approved DERP components have been recovered. The Company's DERP was
21 approved in Commission Order No. 2015-515 and the Company included in this filing
22 actual, estimated and forecasted avoided and incremental costs for the period of June 1,
23 2019 through September 30, 2021.

24 **Q. PLEASE EXPLAIN THE INCLUSION OF DERP AVOIDED COSTS TO BE
25 RECOVERED IN THIS PROCEEDING.**

1 **A.** According to S.C. Code Ann. § 58-39-140, payments for electricity provided under
2 the DERP that are paid at avoided cost rates or rates negotiated pursuant to the Public
3 Utility Regulatory Policy Act of 1978 (“PURPA”), whichever is lower, are eligible to be
4 recovered through the DERP avoided cost component.

5 The Company incurred DERP avoided costs during the Actual and Estimated
6 Periods for utility-scale purchased power, the Shared Solar program, excess Net Energy
7 Metering (“NEM”) payments to customers, and three (3) buy-all sell-all customer
8 agreements. The Company allocated these costs using the same method used to allocate
9 and recover variable environmental costs. Actual and estimated DERP avoided cost totals
10 are shown in ORS witness Briseno’s Audit Exhibit ADB-10.

11 **Q. WHAT TYPES OF EXPENSES DID THE COMPANY INCLUDE AS DERP**
12 **INCREMENTAL COSTS?**

13 **A.** The Company included General and Administrative costs incurred to implement
14 the Company’s DERP, costs related to the Shared Solar Program, costs above avoided
15 costs, NEM incentives, NEM avoided capacity costs, amortization of solar rebates and
16 related carrying costs, NEM meter costs, and interest on under-collection of DERP
17 incremental costs due to annual recovery caps prescribed in S.C. Code Ann § 58-39-150
18 for the Actual, Estimated, and Forecasted Periods. Actual and estimated cost totals are
19 shown in ORS witness Briseno’s Audit Exhibit ADB-9. Exhibit RAL-1 reflects the
20 cumulative (over)/under-recovery of the actual, estimated and forecasted DERP
21 incremental costs.

Q. DID THE COMPANY MAKE ANY ADJUSTMENTS DURING THE ACTUAL AND ESTIMATED PERIODS FOR DERP INCREMENTAL COSTS?

A. Yes. As demonstrated in ORS witness Briseno's direct testimony and Audit Exhibit ADB-9, the Company made one (1) adjustment to DERP incremental costs during the Actual and Estimated periods. ORS reviewed and accepts the adjustment made by the Company for DERP incremental costs.

Q. DID ORS FIND THE COMPANY'S DERP AVOIDED AND INCREMENTAL COSTS TO BE REASONABLE?

A. Yes. ORS reviewed actual DERP avoided and incremental costs and found them to be reasonably and prudently incurred in implementing the Company's DERP. ORS also reviewed the Company's Estimated and Forecasted DERP avoided and incremental costs and found them to be reasonable.

Q. PLEASE EXPLAIN THE DERP CHARGE PER ACCOUNT.

A. The fixed charge by which the Company proposes to recover DERP incremental costs ("DERP Charge") is determined by allocating DERP incremental expenses in the same way the Company allocates variable environmental expenses. The revenue is collected as a fixed charge per account to ensure that no account charge exceeds the annual recovery caps prescribed in S.C. Code Ann. § 58-39-150. ORS finds the Company's methodology to calculate, allocate and collect the DERP Charge complies with Act 236 and with Commission orders.

Q. WILL THE ANNUAL DERP CHARGE RECOVER ALL THE INCREMENTAL COSTS?

1 **A.** No. The DERP Charge will not recover all of the incremental costs allocated to the
2 Industrial customer class. A full recovery of DERP incremental costs would require an
3 annual DERP charge of \$1,855.56 for Industrial customers. However, the annual recovery
4 caps prescribed in S.C. Code Ann. § 58-39-150 (2015) limit the amount Industrial
5 customers can be charged each year to \$1,200.00. DEC's annual DERP charge will recover
6 all incremental costs from Residential and Commercial customers as these costs are under
7 the annual recovery cap of \$12.00 and \$120.00, respectively.

8 **Q. HOW ARE UNDER-COLLECTED INCREMENTAL COSTS TO BE TREATED?**

9 **A.** Under-collected incremental costs will earn carrying costs until next year when they
10 will be reallocated using each class's contribution to peak demand.

11 **Q. DID THE COMPANY UPDATE THE VALUE OF DISTRIBUTED ENERGY**
12 **RESOURCES?**

13 **A.** Yes. As shown in Company witness Martin's testimony (page 8), DEC proposes a
14 total value of NEM distributed generation of \$0.02868/kilowatt-hour ("kWh") for
15 residential solar generation, \$0.02871 kWh for small general service generation, and
16 \$0.02871/kWh for large solar generation. In this proceeding, the Company calculated a
17 separate value for residential solar generation based on the availability of actual customer
18 data. The Company continues to utilize third-party solar load profile data for non-
19 residential customers.

20 **Q. IS THE COMPANY'S CALCULATION OF THE NEM INCENTIVE**
21 **CONSISTENT WITH DOCKET NO. 2014-246-E?**

22 **A.** Yes. The Company used the methodology approved in Commission Order No.
23 2015-194 to calculate the NEM incentive. The Company determined the difference

1 between the expected revenues from NEM customers with and without DERP. Once the
2 revenue gap was identified, the value of the customers' distributed generation was
3 calculated using the amount from the NEM tariff approved in Commission Order No. 2019-
4 691 in Docket No. 2019-3-E. The outstanding revenue was divided by the number of kWhs
5 the customers of each applicable rate schedule generated to calculate the NEM incentive.

6 **Q. DOES ORS HAVE ANY RECOMMENDATIONS REGARDING THE PROPOSED**
7 **UPDATES TO RIDER RNM (SC) THAT THE COMPANY INCLUDED IN THIS**
8 **PROCEEDING?**

9 **A.** No. ORS reviewed the Company's updates to Rider RNM (SC) and does not oppose
10 the various updates to the value of NEM generation or the rate paid to customers for
11 accumulated excess energy.

12 **Q. WILL YOU UPDATE YOUR DIRECT TESTIMONY BASED ON INFORMATION**
13 **THAT BECOMES AVAILABLE?**

14 **A.** Yes. ORS fully reserves the right to revise its recommendations via supplemental
15 testimony should new information not previously provided by the Company, or other
16 sources, becomes available.

17 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

18 **A.** Yes.

Office of Regulatory Staff
Calculation of DERP Charge
Duke Energy Carolinas, LLC
Docket No. 2020-3-E

EXHIBIT RAL-1

(Over)/Under-Recovery of DERP Incremental Costs			
June 2019 through September 2020			
	Residential	Commercial	Industrial
Cumulative (Over)/Under-Recovery	(\$1,106,055)	(\$765,480)	(\$832,648)
(Over)/Under-Recovery of DERP Incremental Costs			
October 2020 through September 2021			
	Residential	Commercial	Industrial
Cumulative (Over)/Under-Recovery	\$4,958,616	\$3,431,763	\$3,732,890
Total DERP Charge			
June 2019 through September 2021			
	Residential	Commercial	Industrial ¹
Cumulative Under-Recovery through September 2021	\$3,852,561	\$2,666,283	\$2,900,242
Number of accounts	505,416	76,589	1,563
Annual Cost (\$) ²	\$7.62	\$34.81	\$1,200.00
Monthly DERP Charge (\$) ²	\$0.64	\$2.90	\$100.00

¹ Monthly Charge and Annual Charge are capped in compliance with Act 236. The under-collection will be reallocated in the 2021 fuel proceeding.

² ORS's review does not include Gross Receipts Tax.